

Message Text

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SUBJ: ECONOMIC INDICATORS ON SMALLER OECD COUNTRIES

REF: EUR/NE DENNIS GOODMAN MEMO APRIL 3, 1978

NEW AND REVISED STATISTICAL INFO IS AS FOLLOWS: (1978 FIGURES
UNLESS OTHERWISE STATED, INDICES BASE YEAR IN PARENTHESIS AND PER-
CENT INCREASES/DECREASES ARE OVER SAME MONTH/PERIOD PRECEDING YEAR):
A.1.A. TOTAL INDUSTRY SALES, CURRENT PRICES (1974-100, MONTHLY VALUE
1974 DKR 7,643 MILLION: APRIL: 138 PLUS 15 PERCENT. THREE MONTHS
SLIDING (1974-100): FEB/APR: 131 PLUS 4.8 PERCENT.
A.3. AGRICULTURAL PRODUCTION, ANIMAL PRODUCTS, CURRENT PRICES,
DKR MILLION: YEAR 1977: 18,819 R (R-REVISED) PLUS 8.2 PERCENT
JAN: 1,697 PLUS 17.5 PERCENT
A.4. GROSS NATIONAL PRODUCT, EXCLUDING REPAIR AND MAINTENANCE, DKR
MILLION: 1978 PROJECTED: 285,000 PLUS 10 PERCENT IN CURRENT
PRICES PLUS ONE PERCENT IN REAL TERMS.
B.2. WHOLESALE PRICE INDEX (1968-100) APR: 219 PLUS 4.3 PERCENT
C.1. MONEY SUPPLY, DKR MILLION A. M 1: MAR: 60,325 PLUS 9.1 PERCENT
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B. M2: MAR: 128,439 PLUS 7.5 PERCENT
C.2.. INTEREST RATES: A. SHORT TERM (LENDING ON DRAFT): MAR 14.9
PERCENT, PLUS 0.2 PERCENTAGE POINT.
B. LONG TERM (MORTGAGE BOND, 10 PERCENT): MAR 15.72 PERCENT PLUS
0.09PERCENTAGE POINT
E.2. NUMBER OF UNEMPLOYED (ALL CATEGORIES), 1000 PERSONS: APR: 186.3
PLUS 14.4 PERCENT

E.3. NUMBER OF UNEMPLOYED AS PERCENT OF TOTAL LABOR FORCE (2,578,897 PERSONS IN OCT 1977): APR: 7.2 PERCENT. F.1 EXPORT VALUE, F.O.B. BASIS, DKR MILLION: MAR: 5,243 DOWN 7.7 PERCENT, U.S. SHARE 6.8 PERCENT. APR: 5,386 PLUS 9.4 PERCENT, U.S. SHARE N/A JAN/APR: 20,701 PLUS 4.0 PERCENT F.2 IMPORT VALUE, CIF BASIS, DKR MILLION: MAR: 6,944 DOWN 10.1 PERCENT, U.S. SHARE 5.8 PERCENT. APR: 6,463 PLUS 4.6 PERCENT, U.S. SHARE N/A F.3 EXPORT VOLUME (EXCL. SHIPS/AIRCRAFT) (1971-100) MAR: 130 DOWN 9.1 PERCENT. JAN/MAR: 126 DOWN 0.8 PERCENT. F.4. IMPORT VOLUME /EXCL. SHIPS/AIRCRAFT) (1971-100) MAR: 134 DOWN 12.4 PERCENT. JAN/MAR: 127 DOWN 4.8 PERCENT. NOTE: THE DECLINE IN TRADE IN MARCH WAS PRIMARILY CAUSED BY EASTER HOLIDAYS. F.5. BALANCE OF PAYMENTS, DEFICIT (-), DKR MILLION 1ST QUARTER: -2,895. F.6 BALANCE OF PAYMENTS, CAPITAL INFLOW (PLUS) AND RESERVE FLUX DKR MILLION: 1ST QUARTER: PUBLIC INFLOW PLUS 3,436 PRIVATE INFLOW: PLUS 436, OTHER INCL. ERRORS PLUS 489. TOTAL: PLUS 4,361, RESERVES: PLUS 1,466 F.8 FOREIGN EXCHANGE RESERVES (INCL. GOLD), DKR MILLION: MAR: 14,088 4 (R-REVISED), APR: 13,453 MAY: 14,819 P (P-PRELIMINARY) F.9. PUBLIC EXTERNAL GROSS DEBT (CENTRAL AND LOCAL GOVERNMENT AND PUBLIC UTILITIES), END OF PERIOD. DKR MILLION (GOVT ASSETS VALUED AT AROUND DKR 3.5. BILLION PCI-MARILY LOANS TO LDCS HAVE NOT BEEN SUBTRACTED FROM BELOW FIGURE:) 1ST QUARTER: 39,900 E (E-ESTIMATED). F.10: PRIVATE EXTERNAL NET DEBT, END OF PERIOD, BASE: END 1977. DKR 30,673 MILLION: 1ST QUARTER: 31,598. G.1. AVERAGE MONTHLY DOLLAR RATE (US \$1.00-DKR) MAY: 5.7040 DOWN 5.1 PERCENT. H. ECONOMIC TRENDS: DESPITE MODERATE EXPORT GAINS IN APR THE OVERALL EXPORT PERFORMANCE IS STILL UN-

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SATISFACTORY WITH SLIGHTLY REDUCED EXPORT QUANTITIES COMPARED TO LAST YEAR. A REDUCTION IN IMPORTS HAS PROVIDED ONLY A NOMINAL REDUCTION IN THE TRADE DEFICIT. SINCE NET INVISIBLE EARNINGS ALSO DECLINED, THE HOPED-FOR REDUCTION IN THE PAYMENTS DEFICIT HAS NOT YET MATERIALIZED. EXCHANGE RESERVES WERE PRESERVED BY PUBLIC BORROWING ABROAD AS PRIVATE CAPITAL IMPORTS IN THE FIRST QUARTER OF 1978 WERE QUITE SMALL. CAPITAL IMPORTS GIVE THE DANISH KRONE SOME TECHNICAL STRENGTH AND THE RELATIVE (TRADE-WEIGHTED) RATE OF THE KRONE HAS RISEN SOME 4 PERCENT SINCE NOV 1977 TO ABOUT THE SAME LEVEL AS 12 MONTHS AGO. WHILE THIS DEVELOPMENT, PAIRED WITH RELATIVE PRICE STABILITY ON IMPORTS, HAS PROBABLY STRENGTHENED THE TREND TOWARD A REDUCED RATE OF INFLATION (DOMESTIC PRICES ROSE LESS THAN 6 PERCENT ANNUAL RATE FROM OCT 1977 TO APR 1978) SOME BUSINESS JOURNALS HAVE RECENTLY URGED EXCHANGE RATE ADJUSTMENT TO HELP AILING EXPORTS. OUTSIDE OF THE PUBLIC SECTOR, DOMESTIC DEMAND IS STILL DOWN. CONSUMER SALES ARE DOWN 1-2 PERCENT AND MAY DECLINE FURTHER. RESIDENTIAL CONSTRUCTION IS FALLING OFF STEADILY AND OTHER CONSTRUCTION IS AT BEST STAGNANT. CONTRARY TO EXPECTATIONS, BUSINESS INVESTMENT OVERALL THUS FAR HAS REGISTERED A DECLINE THIS YEAR, WHILE FARM INVESTMENT, AS EXPECTED, IS UP. WITH STAGNANT OR EVEN SLIGHTLY DECLINING INDUSTRIAL PRODUCTION, UNEMPLOYMENT IS RISING SLOWLY BUT STEADILY; IT MAY WELL APPROACH 8 PERCENT THIS YEAR AND,

FAILING AN UPTURN, 9 PERCENT NEXT YEAR. THE UNSATISFACTORY PERFORMANCE OF THE ECONOMY, AFFECTED VERY MUCH BY THE CONTINUED ABSENCE OF AN INTERNATIONAL STIMULUS, HAS HAD A SOFTENING EFFECT POLITICALLY, AND THE GOVT HAS INITIATED MANEUVERS TOWARD ANOTHER ECONOMIC POLICY COMPROMISE NEXT FALL. WHILE DANISH ECONOMISTS IN AND OUT OF GOVT AGREE THAT THERE IS A NEED FOR BOTH INCOME AND FISCAL RESTRAINT AND, TACITLY, THAT AN EXCHANGE RATE ADJUSTMENT WITH COST CONTROLS MIGHT BE HELPFUL, THE GOVT'S IMMEDIATE TARGET IS A CAPITAL TAX AND HOME RE NT COMPLEX WHICH MAY SERVE AS A PAY-OFF TO LABOR FOR WAGE MODERATION IN THE NATIONAL LABOR CONTRACT BARGAINING STARTING NEXT NOV. THE LABOR SIDE RECENTLY HAS, WITH SOME INDUSTRY SUPPORT, STRESSED THAT THE EXORBITANT INTEREST LEVEL IS A MORE DETRIMENTAL COST FACTOR THAN WAGES. THEY ADVOCATE SELECTIVE INTEREST REDUCTIONS TO HELP INVESTMENT AND JOB CREATION. DEAN
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